

CITY OF OAKLAND
AGENDA REPORT

OFFICE OF THE CITY CLERK
2006 JUL 13 PM 4:59

TO: Office of the City Administrator
ATTN: Deborah Edgerly
FROM: Finance and Management Agency
DATE: July 11, 2006

RE: Resolution Authorizing The City Administrator To Waive Competitive Bidding And Enter Into A Negotiated Contract With Progressive Solutions, Inc. For An Automated Local Tax System And Maintenance And Support Services For A Period Of Three Years For An Amount Not To Exceed Six Hundred Seventeen Thousand Dollars (\$617,000)

SUMMARY

Staff recommends the City Council authorize the City Administrator to waive competitive bidding and enter into a negotiated contract with Progressive Solutions, Inc. (PSI) for an automated local tax system and a maintenance and support services agreement to replace the antiquated assortment of legacy systems and data bases supporting billing and collection administration of all local taxes, Business Improvement Districts and Rent Control, and provide an automated billing and collection system for the new Excess Litter Fee. The current systems are inefficient, disjointed, unreliable, impede good customer service and inhibit the City's ability to collect non-compliant/delinquent taxes and other revenues, and do not support electronic imaging.

The replacement of the current local tax systems has been planned and budgeted for many years. Earlier attempts to find an appropriate solution were unsuccessful. Staff initiated a new effort this past year to find and purchase a new local tax system and have it installed in time to support the next Business License Tax renewal process, beginning in December 2006.

Staff developed detailed specifications for a new local tax system and completed an extensive evaluation process, including system demonstrations from the leading vendors of local tax systems, to find the best system available in the marketplace that would meet the City's requirements. Staff also conducted in-depth interviews of many other California cities that recently completed competitive selection processes for local tax systems. Staff concluded that Progressive Solutions, Inc. offered the best system available in the marketplace and the only system available that would meet the City's unique requirements. PSI has been rated the best among its competitors according to a survey of California cities, and received outstanding feedback from client cities for ease of implementation, functionality and ongoing support. PSI offers many system features that will improve customer service, efficiency and revenue

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generation. PSI's system would also position the City to begin offering on-line account access and payment processing via the Internet.

Staff is confident that the recommended system solution from Progressive Solutions, Inc. will provide a quality and cost-effective solution to meet the City's needs, and the new system's revenue enhancement capabilities offer the potential to recover the costs of the new system within 3 to 4 years. Following staff's thorough search and evaluation process, PSI was found as the only system solution that would meet the City's unique requirements. Because there is only one viable system solution and any time delay in implementing the solution translates into lost revenue potential, staff recommends competitive bidding for the new local system be waived.

The total cost to purchase and install the new suite of software, which includes electronic imaging, and provide ongoing software maintenance support through FY08-09 will not exceed six hundred seventeen thousand dollars (\$617,000). Funds in the amount of \$505,000 for the purchase and maintenance through June 30, 2007 are available in the FY 06-07 budget. System maintenance support is \$50,000 per year and is subject to annual increases not to exceed 10% per year; funding for ongoing maintenance is anticipated to be appropriated in subsequent budgets, which are estimated at \$53,300 for FY07-08 and \$58,700 for FY08-09. Staff recommends an agreement for maintenance and support services through June 30, 2009.

FISCAL IMPACT

The purchase price for the comprehensive suite of software from Progressive Solutions, Inc. to support billing and collection administration for local taxes (Business Tax, Parking Tax, Utility Users Tax, Transient Occupancy Tax), Business Improvement Districts, Rent Control and the Excess Litter Fee will not exceed \$488,000, and annual software maintenance will not exceed \$50,000 for the first 12 months of support (only four months of maintenance costs will be incurred in FY06-07 in the amount of \$17,000). The total first year costs shall not exceed \$505,000 (\$488,000 for system purchase + \$17,000 for FY06-07 system maintenance). Annual system maintenance costs will increase every twelve months by an amount not to exceed 10% of the prior year's maintenance service cost. Funding for purchase of the system and the first year's maintenance totaling \$505,000 is budgeted in various accounts and projects that are intended for supporting and improving the various local tax and fee systems. Detailed funding is shown in Attachment A.

The new system should increase revenue generation through more efficient identification, billing and collection from non-compliant and delinquent tax and revenue accounts as well as through its unique revenue enhancement capabilities that enable automated cross-checking. The new system would be installed this calendar year and will be utilized to support the commencement of the Business License Tax and Rent Adjustment Fee billings scheduled for mailing in December 2006. The initial due dates for both of these billings is January 1, 2007 with a

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delinquency date of March 1, 2007; notwithstanding the additional 45 days for extended filing of Business License Taxes. The potential for increased revenue collections from the new system are expected to recover the costs of the new system over a period of 3 to 4 years. Most of the revenue gains would be realized from the system's new automated, cross-checking capabilities for identifying non-compliant and delinquent taxpayers. Furthermore, efficiency improvements from the new system will enable staff to devote more time on revenue collection versus manually intensive work processes. Some revenue gains from the new system implementation are likely to occur in FY06-07, however more significant revenue increases would be realized in FY07-08 since non-compliant and delinquent enforcement efforts typically intensify around the middle of the calendar year after the close of the renewal period.

BACKGROUND

The Revenue Division has been struggling for many years with antiquated and inefficient tax /fee administration systems including: Business License Tax, Parking Tax, Utility Users Tax, Transient Occupancy Tax, Business Improvement Districts, Collections, and Rent Adjustment Fee. None of these systems support electronic imaging. The Revenue Division has also been charged with administering the new Excess Litter Fee that requires a billing and collection support system. The current systems are extremely labor intensive, lack integration and connectivity, are unable to provide timely and accurate information, frustrate staff's ability to provide good customer service, and inhibit revenue collections from non-compliant and delinquent accounts. The current systems are error prone and drive a high level of taxpayer complaints. The current legacy systems offer extremely limited capability for modification to meet current requirements.

City staff previously (2000-2001) pursued procurement of a new local tax system and explored the possibility of acquiring or adapting the local tax system used in the City of Seattle, Washington. Those efforts stalled over the costs and complexity of modifying that system to meet the City of Oakland's requirements. A renewed effort was initiated this past year to survey other cities and assess the market place to find a tax system solution to meet the City of Oakland's unique requirements. Concurrent with that initiative, the Revenue Division staff completed a comprehensive process mapping effort to re-engineer its business practices, policies and workflows to maximize efficiencies, customer service and revenue generation capabilities. This effort provided staff with a blue print and clear set of requirements for acquiring a new system.

Staff developed a detailed set of system specifications and invited all the major system vendors that offer proven local tax systems in California to conduct on-site demonstrations of their systems. Staff reviewed surveys among California cities regarding their local tax systems and evaluated the top three systems available in the marketplace today. Major enterprise system vendors were also contacted or considered in the search for the best local tax system in the

marketplace, only to discover that none of the enterprise systems offer a viable local tax system application for this software market niche.

Staff found that the best system available in the marketplace that will meet or exceed the City of Oakland's requirements is the system offered by Progressive Solutions, Inc. (PSI), and their system has been the overwhelming choice by many other cities in California. PSI was recently selected as the best choice through competitive procurement processes conducted in the following cities: Santa Barbara, Antioch, San Bernardino, Monterey, Santa Maria and San Bruno.

Revenue Division staff conducted extensive interviews with six California cities that currently use or are installing a system from PSI. The feedback from each and every client city was overwhelmingly positive. Contacted cities provided staff with a high degree of confidence that PSI's system performed as promised, was installed on schedule and budget, data migrations were completed effectively, and that PSI always responded quickly and satisfactorily to client needs or concerns. Also, all the clients realized their expected benefits in terms of greater efficiency, improved customer service and enhanced revenue collections.

Staff's exhaustive efforts to find a local tax system that meets the City of Oakland's unique requirements produced only one viable solution, and that solution has been the choice of many other California cities that undertook a competitive selection process for a local tax system. Given that there is limited time to purchase and install a new system prior to the commencement of the new tax year and any delay in implementing the new system translates into potential lost revenue, staff is recommending competitive bidding be waived.

KEY ISSUES AND IMPACTS

The current assortment of local tax and fee administrative systems are inefficient, error prone, cause a high level of customer/taxpayer complaints, undermine the City's ability to enforce and collect non-compliant and delinquent taxes and fees, and have extremely limited capabilities to be modified to meet current operational requirements. The capabilities and performance of the current local tax and fee systems reflect poorly on the City's image and reputation, and causes a high degree of staff frustration.

With the purchase and installation of the local tax system offered by PSI, the City has the opportunity to increase productivity, enhance revenue from its existing tax and fee base, ensure greater fairness and equity to taxpayers, offer improved customer services as well as position the City to offer on-line account access and bill payment services via the Internet.

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PROJECT DESCRIPTION

The objective of the project is to replace the current assortment of antiquated local tax and fee systems with an integrated system that will meet the current and future needs of both the City and the taxpayers. This project was selected to reduce frustrations and complaints from taxpayers and citizens about poor customer service and transparent inefficiencies. This project also increases the City's ability to collect revenue from non-compliant and delinquent taxpayers.

The new system will be installed and operational prior to the commencement of the new Business License Tax renewal process, which begins in December 2006.

SUSTAINABLE OPPORTUNITIES

Economic: The new system will increase revenues from local taxes and fees to support City services and programs.

Environmental: The opportunity to use the Internet for customer services will likely reduce hydrocarbon emissions. Furthermore, electronic imaging functionality will provide the division the opportunity to reduce paper storage and disposal.

Social Equity: A more efficient local tax/fee system will ensure greater fairness and equity among taxpayers.

DISABILITY AND SENIOR CITIZEN ACCESS

The opportunity to offer Internet services will offer greater access to customer services.

RECOMMENDATION(S) AND RATIONALE

Staff recommends that the City Council authorize the City Administrator to waive competitive bidding and enter into a negotiated contract with Progressive Solutions, Inc. for an automated local tax system and maintenance and support services for a period of three years for an amount not to exceed six hundred seventeen thousand dollars (\$617,000).

The new system from PSI will improve customer service, efficiency, and revenue generation. The new system would also position the City to begin offering account access and payment processing via the Internet.

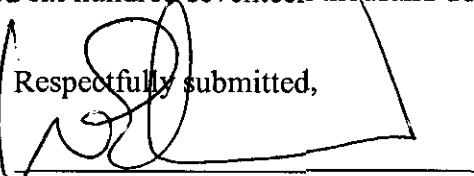
Staff completed detailed specifications for a new local tax system and conducted a thorough research and evaluation process to find a viable local tax system that would meet the City's unique requirements. The process included: product demonstrations by the three leading system

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vendors, discussions with major enterprise system vendors, review of surveys on local tax systems used by other California cities, review of recent competitive bidding processes for local tax systems by other California cities, as well as in-depth interviews with various cities who recently purchased a local tax system. Staff concluded that Progressive Solutions, Inc. offered the only viable local tax system solution that would meet the City of Oakland's unique requirements. Furthermore, time is of the essence with regards to implementing a new local tax system for the upcoming tax renewal season and realizing the benefits offered by the new system. Essentially, staff has completed all the elements normally involved with a competitive bidding process and because there is only one vendor that offers a viable solution to meet the City's unique requirements, staff recommends a waiver of competitive bidding.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council approve the resolution authorizing the City Administrator to waive competitive bidding and enter into a negotiated contract with Progressive Solutions, Inc. for an automated local tax system and maintenance and support services for a period of three years for an amount not to exceed six hundred seventeen thousand dollars (\$617,000).

Respectfully submitted,


William E. Noland

Director, Finance and Management Agency

Prepared by:
Terry Adelman, Revenue Manager
Revenue Division

APPROVED AND FORWARDED TO THE
FINANCE COMMITTEE:

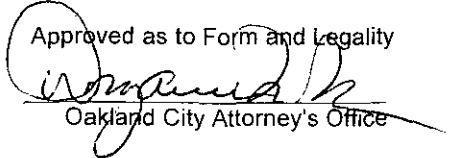

OFFICE OF THE CITY ADMINISTRATOR

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**ATTACHMENT A:
FUNDING FOR NEW LOCAL TAX SYSTEM, JULY 11, 2006, AGENDA REPORT**

SYSTEMS											
<u>Fund Name</u>	<u>Fund No.</u>	<u>Organization</u>	<u>Org. No.</u>	<u>Account Name</u>	<u>Acct. No.</u>	<u>Project Name</u>	<u>Project No.</u>	<u>FY 06-07</u>	<u>FY 07-08</u>	<u>FY 08-09</u>	<u>Grand Total</u>
General Fund	1010	Rent Adjustment Program	88969	Minor Computer Hardware and Software	54919	Rent Arbitration	P190010	50,000			50,000
General Fund	1010	Revenue Administration	08411	Miscellaneous Contract Services	54919	GF Electronic System	A145320	125,533			125,533
Mandatory Refuse	1700	Revenue Administration	08411	Miscellaneous Contract Services	54919	Citywide Imaging, Fund 1700	P238810	36,932			36,932
Mandatory Refuse	1700	Revenue Collections	08441	Miscellaneous Contract Services	54919	MG Electronic System	A145310	265,535			265,535
Excess Litter Fee Fund	2417	Excess Litter Fee Program	08432	Minor Computer Hardware and Software	52213	N/A	0000000	10,000			10,000
								488,000	-	-	488,000
MAIN OFFICE SUPPORT SERVICES											
<u>Fund Name</u>	<u>Fund No.</u>	<u>Organization</u>	<u>Org. No.</u>	<u>Account Name</u>	<u>Acct. No.</u>	<u>Project/Program</u>	<u>Proj</u>	<u>FY 06-07</u>	<u>FY 07-08</u>	<u>FY 08-09</u>	<u>Grand Total</u>
General Fund	1010	Revenue Audit	08421	Miscellaneous Contract Services	54919	N/A	0000000	17,000	53,300	58,700	129,000
GRAND TOTAL: SYSTEM & SUPPORT SERVICES								505,000	53,300	58,700	617,000

OFFICE OF THE CITY CLERK
2006 JUN 28 PM 3:55

Approved as to Form and Legality

Oakland City Attorney's Office

OAKLAND CITY COUNCIL

Resolution No. _____ C.M.S.

RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO WAIVE COMPETITIVE BIDDING AND ENTER INTO A NEGOTIATED CONTRACT WITH PROGRESSIVE SOLUTIONS, INC. FOR AN AUTOMATED LOCAL TAX SYSTEM AND MAINTENANCE AND SUPPORT SERVICES FOR A PERIOD OF THREE YEARS IN AN AMOUNT NOT TO EXCEED SIX HUNDRED SEVENTEEN THOUSAND DOLLARS (\$617,000.00)

WHEREAS, the City needs a new local tax system to improve customer service, efficiencies, revenue generation, and access to on-line services via the Internet; and

WHEREAS, City staff have completed detailed specifications for a new local tax system, and conducted a thorough research and evaluation process to find a viable local tax system that would meet the City's unique requirements; and

WHEREAS, City staff reviewed product demonstrations from the three leading system vendors, conferred with major enterprise system vendors, surveyed local tax systems used by other California cities and reviewed their local competitive bidding process, performed in-depth interviews with those cities who purchased Progressive Solutions Inc. system, and learned that those cities that chose Progressive Solutions Inc. system were extremely satisfied; and

WHEREAS, As a result of the above evaluation processes, staff determined that the local tax system from Progressive Solutions, Inc. is the only viable system that will meet the City's unique requirements; and

WHEREAS, the services to be provided under the Progressive Solutions, Inc. contract are of a technical, professional and temporary nature and shall not result in the loss of employment or salary by any person having permanent status in the competitive service; and

WHEREAS, the first year cost to purchase the system is available: within the General Purpose Fund (1010), Revenue Administration Organization (08411), MG Electronic System Project (A145320) totaling \$125,533; Revenue Audit Organization (08421) totaling \$17,000; Rent Adjustment Organization (88969), Rent Arbitration Project (P190010), totaling \$50,000; Mandatory Refuse Fund (1700), Revenue Collections Organization (08441), MG Electronic System Project (A145310), totaling \$265,535; Revenue Administration Organization (08411), Citywide Imaging Project

(P238810), totaling \$36,932; Excess Litter Fee Fund (2417), Excess Litter Fee Organization (08432), totaling \$10,000; now, therefore, be it

RESOLVED, That pursuant to the Oakland Municipal Code Title 2, Chapter 2.04, Articles 2.04.050.1.5 and 2.04.051.B, the City Council finds and determines that it is in the best interests of the City to waive the competitive bid process for new local tax system software and equipment because Progressive Solutions Inc.'s local tax system is the only viable system that will meet the City's unique requirements; and, be it

FURTHER RESOLVED, six other California cities completed their competitive bidding process to discover that Progressive Solutions, Inc. system was superior to all other systems on the market, and the City wishes to implement a new local tax system prior to the upcoming tax renewal season in order to improve customer service, revenues collected and efficiencies; and, be it

FURTHER RESOLVED, That the City Administrator is authorized to enter into a negotiated contract with Progressive Solutions, Inc. for an automated local tax system and maintenance and support services for a period of three (3) years for an amount not-to-exceed six hundred seventeen thousand dollars (\$ 617,000.00); and, be it

FURTHER RESOLVED, That the Office of the City Attorney will approve the contract as to form and legality, and a copy will be on file in the Office of the City Clerk.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES - BRUNNER, KERNIGHAN, NADEL, QUAN, BROOKS, REID, CHANG,
AND PRESIDENT DE LA FUENTE

NOES –
ABSENT –
ABSTENTION –

ATTEST:

LATONDA SIMMONS
City Clerk and Clerk of the Council of
the City of Oakland, California